

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

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STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 IO-13 OES-06

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9259

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY TY HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS TOKYO 7337

DEPT. PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN APRIL - PROVISIONAL

1. SUMMARY: JAPAN'S B/P POSITION REMAINED STRONG IN APRIL DESPITE SHARP DECLINE IN EXPORTS, ACCORDING TO PRE-LIMINARY MOF B/P STATISTICS. APRIL TRADE SURPLUS (NSA) DECLINED SHARPLY BY \$627 MIL AND SURPLUSES ON ALL THREE BALANCES (CURRENT, BASIC, AND OVERALL) DECLINED TO MERELY UNCLASSIFIED

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ONE-HALF OR ONE-THIRD OF SURPLUSES IN PRIOR MONTH.

SEASONALLY ADJUSTED TRADE SURPLUS ALSO DECLINED BY \$658 MIL BUT REMAINED IN LARGE SURPLUS AT \$836 MIL. LONG-TERM CAPITAL RECORDED A \$110 MIL INFLOW IN APRIL, COMPARED TO \$93 MIL OUTFLOW IN MARCH. DESPITE REDUCED OVERALL SURPLUS, OFFICIAL SETTLEMENTS SURPLUS ROSE IN APRIL DUE TO REVERSAL IN FLOW OF SHORT-TERM COMMERCIAL BANKS' FUNDS. INFLOWS OF ARBITRAGE FUNDS TO PURCHASE TWO-MONTH TREASURY BILL ISSUES WERE VERY ACTIVE AGAIN IN APRIL AND ADDED TO UPWARD PRESSURE ON THE YEN. OFFICIAL SETTLEMENTS BALANCE RECORDED LARGE \$580 MIL SURPLUS AND OFFICIAL RESERVES INCREASED SHARPLY BY \$755 MIL IN APRIL. ZHAVERAGE EXCHANGE RATE OF THE YEN APPRECIATED 0.5 PERCENT TO 299.14 YEN/DOLLAR AND FORWARD RATES FOR HE YEN REMAINED AT A PREMIUM OVER SPOT RATE THROUGHOUT THE LATTER HALF OF APRIL. END SUMMARY.

2. UNADJUSTED TRADE SURPLUS DECLINED BY \$627 MIL FROM PRIOR MONTH TO \$730 MIL IN APRIL DUE TO SHARP DECLINE IN EXPORTS. ON SEASONALLY ADJUSTED BASIS TRADE SURPLUS ALSO DECLINED BY \$658 MIL IN APRIL FROM LARGEST MONTHLY AMOUNT ON RECORD REGISTERED IN PRIOR MONTH, BUT REMAINED IN LARGE SURPLUS AT \$836 MIL. SEASONALLY ADJUSTED EXPORTS (FOB) DECLINED BY \$434 MIL (DOWN 7.7 PERCENT FROM MARCH 1976) TO \$5,208 MIL IN APRIL; ADJUSTED IMPORTS (FOB), ON THE OTHER HAND, INCREASED \$224 MIL (UP 5.4 PERCENT) AND HTOTALED \$4,372 MIL.

3. NET PAYMENTS FOR SERVICES AND TRANSFERS DECLINED BY \$73 MIL FROM PRIOR MONTH TO \$510 MIL IN APRIL, BUT REMAINED AT NORMAL MONTHLY LEVEL. CURRENT BALANCE RECORDED SMALLER \$220 MIL SURPLUS IN APRIL THAN \$774 MIL SURPLUS REGISTERED IN MARCH 1976.

4. LONG-TERM CAPITAL RECORDED MODERATE \$110 MIL NET INFLOW IN APRIL IN CONTRACT TO \$93 MIL NET OUTFLOW IN PRIOR MONTH. EXPORTS OF JAPANESE CAPITAL (I.E. OVERSEAS DIRECT INVESTMENT AND LENDING ABROAD BY JAPANESE ENTERPRISES) DECLINED TO MORE USUAL MONTHLY LEVEL IN APRIL FROM MASSIVE \$625 MIL NET OUTFLOW REGISTERED IN PRIOR MONTH. APRIL INFLOW OF FOREIGN CAPITAL WAS ALSO LESS ACTIVE THAN IN PRIOR MONTH. NET FOREIGN PURCHASES OF OUTSTANDING JAPANESE SECURITIES WERE \$200 MIL AS COMPARED TO \$313 MIL NET FOREIGN PURCHASE IN UNCLASSIFIED

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MARCH. INVESTMENT IN OUTSTANDING JAPANESE STOCKS BY NON-RESIDENTS RECORDED NET FOREIGN SALES OF \$20 MI BUT FOREIGN BUYING OF JAPANESE BONDS EXCEEDED SLES BY APPROXIMATELY \$200 MIL. INFLOW OF FOREIGN CAPITAL THROUGH JAPANESE BOND ISSUES ABROAD WAS \$75 MIL IN APRIL MORE THAN \$100 MIL LESS THAN IN PRIOR MONTH.

5. COMMERCIAL BANKS IN JAPAN IMPORTED \$390 MIL SHORT-TERM

FUNDS IN APRIL IN CONTRAST TO \$350 MIL EXPORTS IN PRIOR MONTH. OFFICIAL SETTLEMENTS SURPLUS INCREASED BY \$276 MIL OVER MARCH SURPLUS TO \$580 MIL. PUBLISHED OFFICIAL RESERVES ROSE SHARPLY BY \$755 MIL AND AMOUNTED TO \$14,937 MIL AT END OF APRIL. GOLD AND FOREIGN EXCHANGE TOTALED \$13,489 MIL, GOLD TRANCHE \$937 MIL, AND SDR'S \$511 MIL.

6. INFLOWS OF ARBITRAGE FUNDS TO PURCHASE TWO-MONTH TREASURY BILLS WERE VERY ACTIVE AGAIN IN APRIL AND ADDED TO UPWARD PRESSURE ON THE YEN. FOREIGN PURCHASE OF TWO-MONTH GOJ TREASURY BILL ISSUES REPORTEDLY EXCEEDED \$400 MIL IN APRIL, COMPARED TO \$90 MIL AND \$200 MIL IN JAN AND FEB THIS YEAR. THESE FLOWS ARE NOT TREATED AS ABOVE-THE-LINE TRANSACTIONS IN THE BALANCE OF PAYMENTS, BUT RATHER BELOW-THE-LINE AS OFFICIAL LIABILITIES IN THE OFFICIAL SETTLEMENTS BALANCE. OFFICIAL LIABILITIES INCREASED \$175 MIL IN APRIL.

7. THE YEN STRENGTHENED AGAINST DOLLAR DURING APRIL. AVERAGE EXCHANGE RATE OF THE YEN (USED BY MOF TO CONVERT TO DOLLAR BASIS) APPRECIATED 0.5 PERCENT TO 299.14 YEN PER DOLLAR IN APRIL FROM 300.71 YEN/DOLLAR IN MARCH. FORWARD RATES FOR THE YEN MOVED BACK TO PREMIUM OVER SPOT RATE AROUND MIDDLE OF APRIL AND REMAINED AT A PREMIUM THROUGHOUT LATTER HALF OF THE MONTH.

8. FOLLOWING ARE PRELIMINARY MOF DATA ON APRIL BALANCE OF PAYMENTS IN MIL DOLLARS (IMF BASIS, NOT SEASONALLY ADJUSTED). RECEIPTS AS WELL AS INCREASE IN RECEIPTS OR DECREASE IN PAYMENTS ARE SHOWN AS PLUS. "MIN" INDICATES OPPOSITE.

	APRIL PROVISIONAL	MARCH REVISED	CHANGE
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(1) CURRENT BALANCE	220	774	MIN 554
TRADE BALANCE	730	1,357	MIN 627
EXPORTS	5,240	5,848	MIN 608
IMPORTS	MIN 4,510	MIN 4,491	MIN 19
SERVICES AND			
TRANSFERS	MIN 510	MIN 583	73
(2) LONG-TERM CAPITAL	110	MIN 93	203
(3) BASIC BALANCE	330	681	MIN 351
(4) NON-MONETARY SHORT-TERM CAPITAL AND ERRORS AND OMISSIONS COMBINED	MIN 140	MIN 27	MIN 113
(5) OVERALL BALANCE	190	654	MIN 464
(6) COMMERCIAL BANKS SHORT-TERM NET			

POSITION	390	MIN 350	740
(7) OFFICIAL SETTLE-			
MENTS ALANCE	580	304	276

9. SEASONALLY ADJUSTED TRADE DATA (IMF BASIS) AS FOLLOWS:

	APRIL	MARCH	
	PROVISIONAL	REVISED	CHANGE
EXPORTS	5,208	5,642	MIN 434
IMPORTS	MIN 4,372	MIN 4,148	MIN 224
BALANCE	836	1,494	MIN 658
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